

**SANTA FE RAILYARD
COMMUNITY CORPORATION
AND SUBSIDIARY**

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

The Santa Fe Railyard Community Corporation and Subsidiary

June 30, 2015 and 2014

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"30 Years of Excellence"

807 Camino De Monte Rey
Post Office Box 1847
Santa Fe, New Mexico 87504
(505) 983-3387
(505) 988-2505 FAX
(800) 983-1040 Toll Free
ba@barracclough.com



Principals

John E. Barracclough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers

Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

Independent Auditors' Report

Board of Directors
The Santa Fe Railyard Community Corporation and
Board of Managers
CSF Management, LLC

We have audited the accompanying consolidated financial statements of The Santa Fe Railyard Community Corporation (SFRCC) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Santa Fe Railyard Community Corporation and Subsidiary as of June 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1, 2, and 3 on pages 14 through 16 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in dark ink, appearing to read "Barraclough & Associates, P.C.", written in a cursive, flowing style.

Barraclough & Associates, P.C.
Santa Fe, New Mexico
October 19, 2015

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidated Statements of Financial Position

June 30, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 323,029	\$ 220,581
Due from City of Santa Fe	7,883	83,858
Rents receivable, net of allowance for uncollectable accounts of \$27,653 and \$30,000 for 2015 and 2014	73,838	96,159
Prepaid expenses	13,826	14,450
Prepaid lease commissions - net	28,243	28,896
Property and equipment - net	116,931	74,547
Other assets	1,500	1,500
	<u>\$ 565,250</u>	<u>\$ 519,991</u>
Total assets		
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 45,958	\$ 76,838
Payable to City of Santa Fe	2,934,667	2,218,333
Rent deposits payable	12,393	12,393
Deferred revenue - rent	238,678	298,722
Line of credit	44,551	-
	<u>3,276,247</u>	<u>2,606,286</u>
Total liabilities		
 <u>Net Assets</u>		
Unrestricted - net assets (deficit)	<u>(2,710,997)</u>	<u>(2,086,295)</u>
	<u>\$ 565,250</u>	<u>\$ 519,991</u>
Total liabilities and net assets		

The accompanying notes are an integral part of these consolidated financial statements.

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidated Statements of Activities

Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Rents	\$ 1,088,262	\$ 1,052,335
Event fees	77,978	62,163
In-kind donations	20,825	24,300
Project income	1,127,540	694,392
Management fees	61,031	38,478
Miscellaneous	1,035	2,300
Total operating revenues	<u>2,376,671</u>	<u>1,873,968</u>
Project costs	1,126,540	690,203
Other operating expenses:		
Lease expense - City of Santa Fe	1,121,909	1,044,193
Salaries	322,010	309,014
Repairs and maintenance	141,574	144,531
Payroll taxes and benefits	63,269	59,950
Legal and professional fees	59,948	58,839
Advertising and promotion	46,651	32,182
Office rent	27,868	27,868
Office expense	20,843	13,275
In-kind legal and professional services	20,825	24,300
Depreciation and amortization	17,129	16,134
Insurance	15,916	15,219
Utilities	8,455	8,703
Telephone	5,601	5,419
Office supplies	3,106	2,471
Travel and meals	1,247	2,068
Miscellaneous	799	80
Auto mileage	469	588
Total expenses	<u>3,004,159</u>	<u>2,455,037</u>
Net (decrease)	(627,488)	(581,069)
Other revenue:		
Interest income	<u>2,786</u>	<u>3,527</u>
(Decrease) in unrestricted net assets	(624,702)	(577,542)
Unrestricted net assets (deficit), beginning of year	<u>(2,086,295)</u>	<u>(1,508,753)</u>
Unrestricted net assets (deficit), end of year	<u><u>\$ (2,710,997)</u></u>	<u><u>\$ (2,086,295)</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

The Santa Fe Railyard Community Corporation and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (624,702)	\$ (577,542)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	16,476	15,481
Amortization	653	653
Changes in operating assets and liabilities:		
Due from City of Santa Fe	75,975	(49,634)
Rents receivable	22,321	55,098
Prepaid expenses	624	898
Accounts payable and accrued expenses	(30,880)	40,997
Payable to City of Santa Fe	716,334	646,997
Deferred revenue - rent	(60,044)	(61,332)
Net cash provided by operating activities	<u>116,757</u>	<u>71,616</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(58,860)</u>	<u>(10,176)</u>
Net cash (used) by investing activities	<u>(58,860)</u>	<u>(10,176)</u>
Cash flows from financing activities:		
Net borrowings on line of credit	<u>44,551</u>	<u>-</u>
Net cash provided by financing activities	<u>44,551</u>	<u>-</u>
Increase in cash	102,448	61,440
Cash, beginning of year	<u>220,581</u>	<u>159,141</u>
Cash, end of year	<u><u>\$ 323,029</u></u>	<u><u>\$ 220,581</u></u>
Noncash operating activities		
In-kind donations	<u>\$ 20,825</u>	<u>\$ 24,300</u>
Interest paid	<u>\$ 413</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

1. Organization

The Santa Fe Railyard Community Corporation (SFRCC) was formed August 25, 2000. SFRCC was formed to increase public understanding of the historical, cultural and economic importance of the Santa Fe Railyard Project, a parcel of real property owned by the City of Santa Fe, New Mexico known as the Railyard property. The SFRCC entered into a Railyard Lease and Management Agreement with the City of Santa Fe on February 27, 2002. The SFRCC entered into an Amended and Restated Railyard Lease and Management Agreement with the City of Santa Fe on April 30, 2011, which terminates January 15, 2030 unless renewed by mutual consent. Through this Lease and Management Agreement the SFRCC is to implement the Railyard Master Plan and Design Guidelines, solicit new leases and administer new and existing leases on leasehold areas within the Railyard property.

SFRCC formed a Single-Member LLC, CSF Management, LLC, (CSF) which has a separate board, as of December 2, 2009. There are some overlapping board members between the two organizations. Because SFRCC is the only member of CSF, it is consolidated with SFRCC. CSF was awarded a professional services agreement with the City of Santa Fe to provide property management and lease administrative services for the College of Santa Fe property. The agreement's initial term was for a sum not to exceed \$200,000. The contract was amended in December of 2010 and February of 2011 to increase the budget to \$231,500 and was terminated on December 31, 2011. It is the intent of the board to keep CSF as an entity in the event it is needed for future contracts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the SFRCC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Construction project revenue and expenses are accounted for on the completed contract method.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) became effective on July 1, 2009. At that date, the ASC became FASB's officially recognized source of authoritative U.S. generally accepted accounting principles (GAAP) applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. All other accounting literature is considered non-authoritative.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the SFRCC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2015 and 2014, the SFRCC has no temporarily or permanently restricted net assets.

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

Consolidation Policy

The consolidated financial statements of SFRCC include the accounts of Santa Fe Railyard Community Corporation and its wholly owned subsidiary, CSF Management, LLC. Significant intercompany accounts and transactions have been eliminated. The SFRCC and subsidiary files a consolidated Form 990.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rents Receivable and Allowance for Uncollectible Accounts

Rents receivable are from tenants. The carrying amount of receivables is reduced by an allowance for uncollectible accounts that reflects management's best estimate of the amounts that will not be collected. Based on management's assessment of the tenants' current creditworthiness, an estimate is made of the portion, if any, of the balance that will not be collected using the reserve method. Receivables are written off as a charge to the allowance for uncollectible accounts when, in management's estimation, it is probable that the receivable is worthless.

Due from City of Santa Fe

As of June 30, 2015 and 2014 the amounts due from the City of Santa Fe represent reimbursements for costs incurred on service contracts. The reimbursements were collected subsequent to year end. No allowance has been recorded since the receivables are considered fully collectible.

Property and Equipment

Property and equipment are stated at cost if purchased and at fair value at the date of contribution for donated assets. The SFRCC capitalizes additions of property and equipment in excess of \$500 cost or fair value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Office, furniture and equipment	5-7 years
Leasehold improvements	3-7 years

Lease Commissions

SFRCC has leased two lots with the assistance of outside leasing agencies. The commissions paid to the leasing agencies for the two leases are being amortized over the length of the leases. Amortization expense for both years ending June 30, 2015 and 2014 was \$653.

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Income from rents is deferred and recognized over the periods to which the amounts relate. Deferred revenue-rent for June 30, 2015 and 2014 were \$238,678 and \$298,722, respectively.

Donated Assets and Services

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, *Not-for-Profit Entities – Revenue Recognition – Contributed Services*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the SFRCC.

Compensated Absences

The SFRCC provides sick leave and vacation benefits to its employees up to 250 hours. No more than five days of vacation time may be carried over from year to year and any unused vacation time will be paid upon separation of employment. Sick leave accrues to employees and can be carried over from year to year, however, no amount is paid upon separation of employment.

The SFRCC vacation liability for the years ended June 30, 2015 and 2014 were \$2,151 and \$6,127, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2015 and 2014 were \$25,827 and \$12,716, respectively.

Income Tax Status

The SFRCC is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these consolidated financial statements.

CSF Management, LLC, is a single-member LLC. It is considered a disregarded entity by the Internal Revenue Service, thus its activity is included in the SFRCC's Form 990.

Management of CSF Management, LLC determined that the activities engaged in by CSF fall under the allowable activities approved by the Internal Revenue Service for SFRCC's exemption from federal taxes.

SFRCC adopted FASB ASC 740-10, *Income Taxes*, which require disclosure of taxable unrelated business income. There are no uncertain tax positions. None of the present or anticipated future activities of SFRCC are subject to taxation as unrelated business income. Therefore no provision for income taxes has been made in the accompanying consolidated financial statements.

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2015 and 2014

3. Property and Equipment

Property and equipment comprise the following at June 30:

	2015	2014
Furniture and equipment	\$ 76,707	\$ 19,706
Website	12,653	12,653
Leasehold improvements	4,985	4,985
Tenant improvements	94,352	92,493
	<u>188,697</u>	<u>129,837</u>
Accumulated depreciation	<u>(71,766)</u>	<u>(55,290)</u>
Property and equipment, net	<u>\$ 116,931</u>	<u>\$ 74,547</u>

Depreciation expense for the fiscal years ended June 30, 2015 and 2014 is \$16,476 and \$15,481, respectively.

4. Allowance for Uncollectible Accounts

The following is an analysis of allowance for uncollectible accounts:

	2015	2014
Balance, beginning of year	\$ 30,000	\$ 30,000
Bad debt expense	-	-
Charge offs	<u>(2,347)</u>	<u>-</u>
Balance, end of year	<u>\$ 27,653</u>	<u>\$ 30,000</u>

5. Lease and Management Agreement - City of Santa Fe

On February 27, 2002, the SFRCC entered into a lease and management agreement with the City of Santa Fe for the leasehold premises. On April 30, 2011 the SFRCC entered into an Amended and Restated Lease and Management Agreement with the City of Santa Fe, which amended, restated, superseded, and replaced in its entirety the Agreement dated February 27, 2002. The purpose of the restated agreement is to create a binding contract for the purpose of establishing an effective implementation mechanism for the Railyard Master Plan and Design Guidelines, to lessen the burden upon the City in implementing the Plan and to restructure debt owed.

On May 18, 2012, the SFRCC entered into the First Amendment to the 2011 Amended and Restated Lease and Management Agreement with the City of Santa Fe which reverted control of lease parcel G to the SFRCC. It also provided for the City to provide a credit for the amounts owed by SFRCC to the City equivalent to the ground rent and CAM the former tenant had been paying to SFRCC. The City agreed to fund the construction of the improvements around Parcel G including Alcaldesa Street and requested SFRCC to lease parcel G to a new subtenant.

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2015 and 2014

5. Lease and Management Agreement - City of Santa Fe (Continued)

On April 30, 2013, the SFRCC entered into a Second Amendment to the 2011 Amended and Restated Lease and Management Agreement with the City of Santa Fe which provides additional deferrals of rent owned by the SFRCC to the City, extends the term of the agreement from June 30, 2027 to June 30, 2029, and revises the area of SFRCC's maintenance responsibilities.

On May 31, 2013, the SFRCC entered into the Third Amendment to the Amended and Restated Lease and Management Agreement with the City of Santa Fe which provides for no-cost parking for cinema patrons at the Railyard cinema to be repaid by SFRCC to the City commencing no later than January 15, 2030. The term of the agreement is extended from June 30, 2029 to January 15, 2030. SFRCC will pay to the City the amount of rent deferred for the cinema parcel commencing March 1, 2029.

On September 25, 2013, the SFRCC entered into the Fourth Amendment to the 2011 Amended and Restated Lease and Management Agreement with the City of Santa Fe which provides for the City to issue a credit to SFRCC against the rent owed by SFRCC to the City equal to the rent SFRCC would have received from the City for the rent the City would have paid to SFRCC for the use of Lease Parcel O and the Santa Fe Depot building.

The SFRCC also manages and maintains the Railyard property, negotiates leases with subtenants and collects all subtenant rents.

Under the restated agreement dated April 30, 2011, the City of Santa Fe has determined that the SFRCC will compensate the City in the form of lease payments. The payments consist of the following:

- a. Payments are due May 1st and November 1st and are calculated in accordance with Exhibit B to the Amended and Restated Lease and Management Agreement as amended from time to time.
- b. 100% of the City's debt service payment on the City's infrastructure financing, the payments will be due thirty (30) days before each of the City's debt service payment are due. The set payment schedule shall be subject to adjustment as the result of the City refinancing the infrastructure financing. If the City refinances the aforementioned conduit financing and activities a lower repayment schedule, the City will reduce the amount owed by SFRCC to the City on a dollar-for-dollar basis.

The City of Santa Fe obtained loans with the New Mexico Finance Authority (NMFA) to cover the development costs related to the Railyard project.

The City of Santa Fe issued \$10,490,000 of Subordinate Lien Gross Receipts Tax Refunding Revenue bonds, Series 2010B on November 10, 2010. The funds from the issuance of these bonds, in addition to reserve funds held by the City of \$429,252 were used to refund the NMFA loans. The bonds mature starting in June 2011 to June 2026 with interest rates from 2% to 5%.

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2015 and 2014

5. Lease and Management Agreement - City of Santa Fe (Continued)

Based on the lease and management agreement with the City of Santa Fe, future lease payments net of deferrals, of \$2,033,441 at year end for the loan are as follows:

Years ending June 30:

2016	\$ 807,897
2017	859,657
2018	1,004,668
2019	1,108,181
2020	1,109,694
	<u>\$ 4,890,097</u>

- c. After the SFRCC has repaid all of its obligations related to the debt service and infrastructure financing debt, the SFRCC shall pay to the City, 50% of the annual excess revenue collected by the Santa Fe Railyard. Annual excess revenue is defined as the difference between the annual lease revenue (excluding any donated and grant funds and special assessments earmarked for a particular use) and the annual cost of the SFRCC's performance of its obligations under this Agreement, including but not limited to payments of City debt service on both land and infrastructure, annual administrative and operating cost, any annual contribution to park and public space development, management and/or operations, and a reasonable allowance for maintenance and capital improvement reserves. Since SFRCC has a deficit unrestricted net asset balance at June 30, 2015 and June 30, 2014, no liability exists to the City.

Total lease expense, including bond and interest costs paid to the City of Santa Fe for the years ended June 30, 2015 and 2014 was \$1,108,826 and \$1,044,193, respectively.

The payable to the City of Santa Fe of \$2,921,584 and \$2,218,333, include the loan deferred amounts as of June 30, 2015 and 2014, respectively, will be paid when there is sufficient cash from operations. Management believes the City of Santa Fe will continue to support SFRCC in its mission.

6. Line of Credit

The SFRCC received a line of credit with a financial institution on April 21, 2015 for \$51,300, where the draw period ends July 21, 2015. The interest rate was 6.07% at year end. The balance on the line of credit at June 30, 2015 was \$44,551. Effective August 18, 2015, the line of credit was converted to a term note. The SFRCC will make 59 monthly payments of \$863, with the final payment of the remaining principal balance due on July 21, 2020. This debt is secured primarily by the equipment and other assets of the SFRCC.

7. Operating Leases

The SFRCC leases office space and equipment under operating leases with varying expiration dates. Total office and equipment rental expense for the years ended June 30, 2015 and 2014 was approximately \$29,509 and \$28,969, respectively.

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2015 and 2014

7. Operating Leases (Continued)

The following is a schedule of future minimum lease payments:

Year ending June 30:

2016	\$ 31,422
2017	30,882
2018	29,262
	<u> </u>
	\$ 91,566

The SFRCC rents month-to-month storage space for total annual rent payments of approximately \$1,872 for both 2015 and 2014.

8. In-Kind Donations

The SFRCC received in-kind donations for the years ended June 30, as follows:

	<u>2015</u>	<u>2014</u>
Legal and professional services	\$ 20,825	\$ 24,300

9. Tenant Leases

As discussed in Note 5, the SFRCC leases the Railyard land and existing buildings from the City of Santa Fe and subleases to tenants of the Railyard property. Two are short term tenant leases and twenty nine are long term tenant leases with terms from 20 to 50 years, most with renewal options up to a total term of 90 years. Most long-term leases include an adjustment clause based on the consumer price index and the reappraisal of the land every 10 years. Leases also contain common area maintenance contributions which offset most of the expenses of operations and maintenance needs. In prior year, SFRCC renegotiated leases with several tenants' rent payments owed in the 2014 fiscal year and were reallocated to future years per the applicable tenant lease agreements. During 2015, SFRCC renegotiated several tenant lease agreements.

Minimum future long-term sublease payments receivable on contracts in place on June 30, 2015 for the next five years are as follows:

Years ending June 30:

2016	\$ 1,145,944
2017	1,151,238
2018	1,153,032
2019	1,123,230
2020	1,093,428
	<u> </u>
	\$ 5,666,872

The Santa Fe Railyard Community Corporation and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2015 and 2014

10. Concentrations of Credit Risks

The SFRCC received 48% and 37% of its revenue for the year ended June 30, 2015 and 2014, respectively, from the City of Santa Fe through professional service contracts as a general contractor to perform various design, construction, engineering and project management related to the Railyard.

The SFRCC also pays lease payments to the City of Santa Fe in accordance with its Lease and Management Agreement (Note 5). The Lease and Management Agreement requires SFRCC to implement the Railyard Master Plan and Design Guidelines. If this relationship with the City were to terminate, it would have a significant impact on the consolidated financial statements.

The SFRCC has a concentration in the Santa Fe real estate market, meaning that it is subject to the risks that affect the real estate environment in the City, including the levels of consumer spending, seasonality, the willingness of individuals and businesses to lease space in the Railyard, changes in economic conditions and consumer confidence. The length of the current recession could adversely affect consumer spending and the ability of potential tenants to obtain financing to lease land in the Railyard and construct or improve buildings on the land.

The SFRCC maintains its cash balances in two financial institutions located in Santa Fe, New Mexico. Effective December 31, 2012, all noninterest-bearing accounts are now aggregated with any interest-bearing accounts and the combined total insured up to at least \$250,000. SFRCC did not have balances at the banks in excess of FDIC insurance coverage.

11. Legal Proceedings

SFRCC is involved in various legal proceedings that arise in the ordinary course of its business. SFRCC will record a liability when a loss is considered probable and the amount can be reasonably estimated if any lawsuit occurs.

12. Subsequent Events

Management has evaluated subsequent events through October 19, 2015 to determine whether such events should be recorded or disclosed in the consolidated financial statements or notes for the year ended June 30, 2015. This date represents the date the consolidated financial statements were available to be issued. There were no items deemed to be significant that required disclosure or adjustment to the 2015 financial statements.

The Santa Fe Railyard Community Corporation and Subsidiary

Schedule 1

Consolidating Statement of Financial Position

June 30, 2015

<u>ASSETS</u>	<u>SFRCC</u>	<u>CSFM, LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Cash	\$ 301,986	\$ 21,043	\$ -	\$ 323,029
Due from City of Santa Fe	7,883	-	-	7,883
Investment in CSFM, LLC	2,000	-	(2,000)	-
Rents receivable, net of allowance for uncollectable accounts of \$27,653	73,838	-	-	73,838
Prepaid expenses	13,826	-	-	13,826
Prepaid lease commissions - net	28,243	-	-	28,243
Property and equipment - net	116,931	-	-	116,931
Other assets	1,500	-	-	1,500
Total assets	<u>\$ 546,207</u>	<u>\$ 21,043</u>	<u>\$ (2,000)</u>	<u>\$ 565,250</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 34,670	\$ 11,288	\$ -	\$ 45,958
Payable to City of Santa Fe	2,934,667	-	-	2,934,667
Rent deposits payable	12,393	-	-	12,393
Deferred revenue - rent	238,678	-	-	238,678
Line of credit	44,551	-	-	44,551
Total liabilities	3,264,959	11,288	-	3,276,247
<u>Net Assets</u>				
Unrestricted - net assets (deficit)	(2,718,752)	9,755	(2,000)	(2,710,997)
Total liabilities and net assets	<u>\$ 546,207</u>	<u>\$ 21,043</u>	<u>\$ (2,000)</u>	<u>\$ 565,250</u>

See Independent Auditors' Report.

Consolidating Statement of Activities

Year Ended June 30, 2015

	SFRCC	CSFM, LLC	Eliminations	Consolidated Total
Operating revenues:				
Rents	\$ 1,088,262	\$ -	\$ -	\$ 1,088,262
Event fees	77,978	-	-	77,978
In-kind donations	20,825	-	-	20,825
Project income	1,127,540	-	-	1,127,540
Management fees	61,031	-	-	61,031
Miscellaneous	1,035	-	-	1,035
Total operating revenues	2,376,671	-	-	2,376,671
Project costs	1,126,540	-	-	1,126,540
Other operating expenses:				
Lease expense - City of Santa Fe	1,121,909	-	-	1,121,909
Salaries	322,010	-	-	322,010
Repairs and maintenance	141,574	-	-	141,574
Payroll taxes and benefits	63,269	-	-	63,269
Legal and professional fees	59,948	-	-	59,948
Advertising and promotion	46,651	-	-	46,651
Office rent	27,868	-	-	27,868
Office expense	20,843	-	-	20,843
In-kind legal and professional services	20,825	-	-	20,825
Depreciation and amortization	17,129	-	-	17,129
Insurance	15,916	-	-	15,916
Utilities	8,455	-	-	8,455
Telephone	5,601	-	-	5,601
Office supplies	3,106	-	-	3,106
Travel and meals	1,247	-	-	1,247
Miscellaneous	764	35	-	799
Auto mileage	469	-	-	469
Total expenses	3,004,124	35	-	3,004,159
Net (decrease)	(627,453)	(35)	-	(627,488)
Other revenue:				
Interest income	2,786	-	-	2,786
(Decrease) in unrestricted net assets	(624,667)	(35)	-	(624,702)
Unrestricted net assets (deficit), beginning of year	(2,094,085)	9,790	(2,000)	(2,086,295)
Unrestricted net assets (deficit), end of year	\$ (2,718,752)	\$ 9,755	\$ (2,000)	\$ (2,710,997)

Consolidating Statement of Cash Flows

Year Ended June 30, 2015

	SFRCC	CSFM, LLC	Eliminations	Consolidated Total
Cash flows from operating activities:				
Change in net assets	\$ (624,667)	\$ (35)	\$ -	\$ (624,702)
Adjustments to reconcile change in net assets to net cash used by operating activities:				
Depreciation	16,476	-	-	16,476
Amortization	653	-	-	653
Changes in operating assets and liabilities:				
Due from City of Santa Fe	75,975	-	-	75,975
Rents receivable	22,321	-	-	22,321
Prepaid expenses	624	-	-	624
Accounts payable and accrued expenses	(30,880)	-	-	(30,880)
Payable to City of Santa Fe	716,334	-	-	716,334
Deferred revenue - rent	(60,044)	-	-	(60,044)
Net cash provided by operating activities	116,792	(35)	-	116,757
Cash flows from investing activities:				
Purchase of property and equipment	(58,860)	-	-	(58,860)
Net cash (used) by investing activities	(58,860)	-	-	(58,860)
Cash flows from financing activities:				
Net borrowings on line of credit	44,551	-	-	44,551
Net cash provided by financing activities	44,551	-	-	44,551
Increase in cash	102,483	(35)	-	102,448
Cash, beginning of year	199,503	21,078	-	220,581
Cash, end of year	\$ 301,986	\$ 21,043	\$ -	\$ 323,029
Noncash operating activities				
In-kind donations	\$ 20,825	\$ -	\$ -	\$ 20,825
Interest paid	\$ 413	\$ -	\$ -	\$ 413